MEA-MFT
Public Schools, Public Service

EXHIBIT 2
DATE 1/19/09
HB 83

Attracting & Retaining a Quality K12 Educational Workforce HB83 (Sue Dickenson) "Professional Retirement Option" (PRO) Before the House State Administration Cmte – January 19, 2009

Tom Bilodeau, MEA-MFT Research
(442-4250/800-398-0826) tbilodeau@mea-mft.org

Background, Problem and the Solution – PRO

The "Professional Retirement Option" (PRO) addresses the *retention issue* -- prominently raised by the current adequacy of state funding lawsuit – by offering Montana's public school teachers and administrators an enhanced retirement benefit if they postpone termination and retirement until they are age 55 or older and have 30 or more years of creditable service in TRS. The proposal is an outgrowth of study and recommendation of Governor Racicot's Task Force on Teaching (2000), long-discussion among educators, pension program and legislative policymakers.

Under PRO, TRS members age 55 or older with 30 years of TRS service credit who retire on or after July 1, 2007 would see their benefit formula factor improved from 1.677% x years of service to 2% x years of service. For example: a member with 30 years of creditable service would be eligible to receive a retirement benefit equal to 60% of his/her average final compensation, as opposed to 50% under current law.

PRO's advantages are:

- It encourages teachers and administrators to extend their educational career.
- It rewards those who spend an entire career (30+ years) teaching in Montana.
- It increases the number of available classroom teachers and administrators.
- It decreases "hiring pressure" and teacher recruitment problems in Montana.
- It reduces *'MediGap'* -- the period between retirement and Medicare eligibility.
- It provides a superior level of replacement income in retirement.

PRO – meeting the immediate need for position retention

Currently, the average TRS member retires after 26 years of service and at age 57. During the 1990s and early 2000s, the number of annual teaching and administrative vacancies in Montana schools doubled. (See: "Who Will Teach," 2002 update, Dori Nielsen, Ed.D. and more recent OPI survey data collection efforts.) More than half of annual vacancies are the result of retirements -- the number of which has grown from an annual average of 300 in the late 80s and early 1990s, to more than 500 since the later 1990s. School districts -- and the higher education system -- have encountered enormous problems in filling these annual vacancies with fully qualified staff. A half-dozen school administrators from large and small, east and west districts across the state testified at length during trial of the school funding adequacy lawsuit that the number of applicants in the hiring pool is markedly down in recent years and poses a clear and present threat to the quality of Montana's teaching workforce.

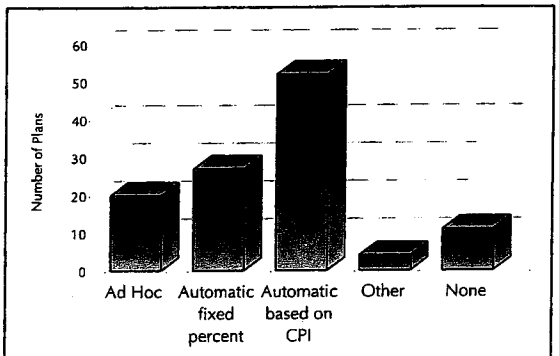
PRO is projected to "retain" nearly 20% of otherwise retiring teachers and administrators in Montana during the upcoming 4 to 5 years, and beyond. California adopted a similar proposal in 1999. Since adoption, California experienced nearly a 20 percent reduction in the number of retirees in the first and second years of application. PRO in Montana could reduce the number of our school annual retirements by 100+ teachers and administrators. During the first five years of PRO, as many as 400+ Montana teachers, administrators and some older university faculty, can be expected to postpone their retirement plans for up to five years. This delay in retirement rates will relieve a portion of vacancy placement and new hiring difficulties experienced by many Montana school districts.

PRO – helping to meet the retirement income needs of future TRS retirees

PRO would only affect persons enrolled in the Montana Teachers' Retirement System. Under current TRS benefit law (19-20-801 through 804 MCA) a new retiree with $40,000 average final compensation, applied to a 1.67% x 25 years formula would receive an annual TRS benefit of $16,700 (roughly 42% of AFC). PRO's 2% formula at 30 years with the same $40,000 AFC would yield an annual pension of $24,000 (or 60% of AFC). This represents a $7,300 PRO advantage may well be the additional retirement income needed by the retiree to pay for health care expenses during retirement leading up to and extending into Medicare eligibility.

A 2% benefit formula is also in line with national norms. It helps Montana maintain competitiveness with TRS pension benefit levels offered by other states.

Types of Retirement COLAs



Most automatic COLAs that are based on the CPI have various types of rules-based limits and rarely provide full inflation—or purchasing power—protection. A typical automatic CPI-based COLA would provide for protection up to a certain percent CPI increase (the most common is 3%). Others only apply after the CPI has risen a certain percent and then limit the COLA to some higher percent.

Funding for PRO

Full funding for PRO requires a state funded payroll contribution increase of nearly 2% of TRS covered payroll. MEA-MFT proposes to fund PRO costs by phasing-in an increase to state paid general fund TRS contribution by 2.8%. The annual State general fund (statutory appropriation) cost of PRO at a fully implemented FY11 +2.8% contribution rate is estimated to be about $20m per year.

No increase in local property tax or employee pension wage contribution deduction would result from adoption of PRO. PRO's fully state-paid contribution costs will be coordinated with increased employer contributions (combined state, local, school employer and state contributions) needed to fund TRS at actuarially sound and prudent levels.

MEA-MFT
Public Schools, Public Service

EXHIBIT 7
DATE 1/19/09
HB 83

MONTANA TEACHER SALARIES OVER THE LAST GENERATION

The average base salary paid in 1st class Montana school systems in FY09 is $29,616. Nationally, projected average beginning salary for FY09 is more than $35,000. Montana's larger districts entry salary for teachers trails the average entry salary paid nationally by $5,384 (-15%).

Montana's 19 largest school systems (the "1st" class systems) employ nearly 60% of Montana's teachers. The average entry level ("Base") salary paid to teachers in these larger school systems for the 2008-09 (FY09) year is more than $3,200 (or +11%) greater than the average entry salary paid in Class 2 districts and more than $5,400 (+18%) higher than average base salaries paid in Class 3 districts. Disparities in entry and career-level pay among large, medium and small school districts have been growing over the last decade.

While AFT and US Department of Education studies, as well as NEA's "Profile of the American Teacher" surveys indicate that Montana's teaching workforce is roughly equal in experience and nearly as likely to have attained advanced educational degree status, the "average salary" paid to classroom teachers in Montana fell relative to the national average salary from 1984 through 2003. We have made marginal gains since.

After coming within 5% of the national average salary paid to classroom teachers in 1983, the average salary paid to classroom teachers in Montana is now only 82% of the average salary paid to classroom teachers nationally.

In 1980, Montana's average salary paid to classroom teachers was only $1,433 less than the national average salary paid to classroom teachers. By 1983, we closed the gap to less than $1,000. Since 1984, however, the "gap" between average salary paid to classroom teachers in Montana compared to the national average salary steadily grew until very recent years. Since 2004, Montana's average salary paid to classroom teachers has trailed the national average by more than $9,000 annually

Montana's average salary paid to classroom teachers in 1980 ($14,537) ranked 28 among the states. By 1984, our average salary rank inched upward to 25th among the states. Since 1984, Montana rank for average salary paid to classroom teachers has fallen so that by 2002 we ranked 48th in the nation. Since then, Montana has inched it's way up to a projected 46th rank in FY09.

Despite increased experience and educational attainment levels among Montana's teaching workforce, in inflation-adjusted dollars Montana's average salary paid to classroom teachers has increased by only 13.6% since 1980. This contrasts with the 25% gain over inflation made by average salary paid to classroom teachers nationally.

In 1980, Montana's per capita income (PCI) of $9,058 was only $1,056 behind (-10.4%) of the national PCI and Montana PCI ranked 34th among the states. By 2007, after slipping mightily Montana PCI has inched it's way back up to $5,419 (-14%) behind the national PCI and our PCI rank stood at 39 among the states.

After making steady gains in the first half of the 1980s, Montana average salary paid to classroom teachers has steadily declined compared to US per capita income (PCI) levels. Since 1985, Montana's average salary paid to classroom teachers has fallen from 182% of US PCI to just 124% in 2007.

- Public Schools - Higher Education
- State & County Employees
- Head Start - Health Care

Working for Montana's Future

1232 East Sixth Ave., Helena, MT 59601 - TEL 406/442-4250 or 800/398-0826 FAX 406/443-5081 www.mea-mft.org

MEA-MFT

COMPARABLE "BEGINNING SALARIES" FOR NEW HIRES HOLDING BA DEGREES

DEC.2008

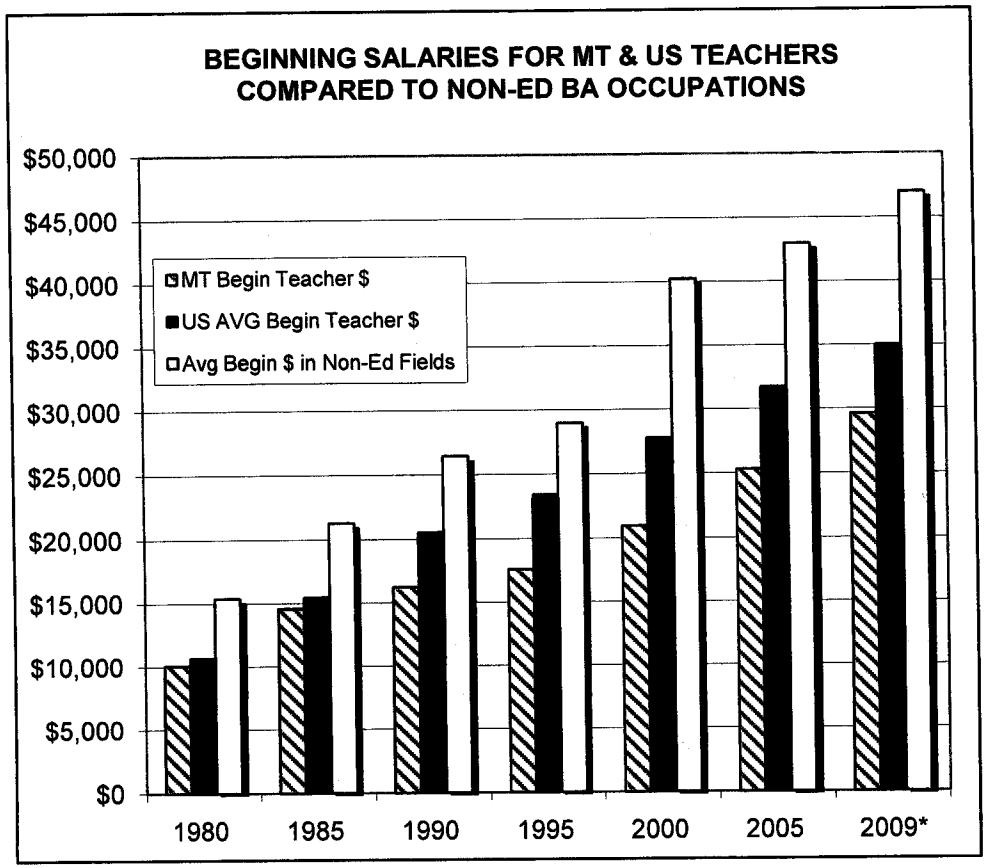
MT & US salaries paid to teachers "indexed" to beginning salaries for new BA holders in non-education occupati *Projected FY09*

BACHELORS DEGREE FIELD	1980 AVG SALARY	1980 INDEX	'85 AVG SALARY	1985 INDEX	'90 AVG SALARY	1990 INDEX	'95 AVG SALARY	1995 INDEX	2000 AVG SALARY	2000 INDEX	2005 AVG SALARY	2005 INDEX	2009*AVG SALARY	2009* INDEX	--- 1980 TO RECENT YEAR --- $ GAIN	% GAIN	AVG%YR
MT AVG BEGIN TEACHER $	$10,082	0.66	$14,560	0.68	$16,221	0.61	$17,574	0.61	20,969	0.52	25,318	0.59	29,616	0.63	$19,534	193.8%	9.2%
US AVG BEGIN TEACHER $	$10,675	0.69	$15,460	0.73	$20,529	0.78	$23,402	0.81	27,770	0.69	31,753	0.74	35,000	0.74	$24,325	227.9%	10.9%
$ DIFFERENCE MT VS.US	-$593		-$900		-$4,308		-$5,828		-$6,801		-$6,435		-$5,384		-$4,791		
% DIFFERENCE MT VS US	-5.6%		-5.8%		-21.0%		-24.9%		-24.5%		-20.3%		-15.4%		-19.7%		
AVG BEGINNING SALARY FOR "NON.ED" FIELDS ONLY	$15,388	1.00	$21,288	1.00	$26,465	1.00	$28,976	1.00	$40,235	1.00	$43,000	1.00	47,000	1.00	$31,612	205.4%	9.8%
BEGIN$ DIFFERENCE:																	
MT TEACHER $ - NON.ED $	**($5,306)**		**($6,728)**		**($10,244)**		**($11,402)**		**($19,266)**		**($17,682)**		**($17,384)**		**($12,078)**		
BEGIN$ DIFFERENCE: US TEACHER $ - NON.ED $	($4,713)		($5,828)		($5,936)		($5,574)		($12,465)		($11,247)		($12,000)		($7,287)		

SOURCES: Northwestern University National "ENDICOTT" & NACE & ERS Surveys, US Depart of Labor & NEA, AFT & MEA-MFT teacher salary files.

Montana "beginning salary" data for teachers = scheduled base salary among 1st class districts. FY09* national data is estimated.

D:\SAL\BEG$COMP.XLS



BEGINNING SALARIES PAID TO MONTANA TEACHERS HAVE NOT KEPT PACE WITH BEGINNING SALARIES PAID TO TEACHERS NATIONALLY, NOR WITH BEGINNING SALARIES PAID TO "NEW HIRES" IN OTHER NON-ED OCCUPATIONS.

Between 1980 and 2009, the difference between average beginning salaries paid to teachers in Montana compared to average beginning salary paid to teachers' nationally grew from -$593 (-5.6%) to more than -$5,384 (-15%).

Between 1980 and 2009, the growth rate in beginning wages paid to teachers nationally (+228%) out-paced the overall growth in beginning salaries paid to "new hires" in other non-education professional fields (+205%).

But, during the same period, the growth in beginning salaries paid to teachers in Montana grew by 194%, lagging significantly behind the % growth rate in average salary paid to teachers nationally (nearly -33% behind) and -12% behind the growth rate for beginning salaries paid to "new hires" in non-ed professional occupations.

MEA-MFT

AVERAGE SALARIES PAID TO US & MT TEACHERS

DEC.2008

YEAR	-- CURRENT U.S. AVG $ -- US AVG $	-- ANNUAL CHANGE -- US $ GAIN	US % GAIN	---------- CURRENT MONTANA AVG $ ---------- MT AVG $	MT $ RANK	ANNUAL CHANGE DATA MT $ GAIN	MT % GAIN	RATIO MT/US	DOL DIF MT-US
FY80	$15,970	---- BASE ------		$14,537	28	----- BASE -------		91.03%	($1,433)
FY81	$17,644	$1,674	10.48%	$15,967	29	$1,430	9.84%	90.50%	($1,677)
FY82	$19,274	$1,630	9.24%	$17,770	29	$1,803	11.29%	92.20%	($1,504)
FY83	$20,695	$1,421	7.37%	$19,702	27	$1,932	10.87%	95.20%	($993)
FY84	$21,935	$1,240	5.99%	$20,690	25	$988	5.01%	94.32%	($1,245)
FY85	$23,600	$1,665	7.59%	$21,705	27	$1,015	4.91%	91.97%	($1,895)
FY86	$25,199	$1,599	6.78%	$22,482	31	$777	3.58%	89.22%	($2,717)
FY87	$26,569	$1,370	5.44%	$23,206	33	$724	3.22%	87.34%	($3,363)
FY88	$28,034	$1,465	5.51%	$23,798	38	$592	2.55%	84.89%	($4,236)
FY89	$29,564	$1,530	5.46%	$24,421	40	$623	2.62%	82.60%	($5,143)
FY90	$31,367	$1,803	6.10%	$25,081	40	$660	2.70%	79.96%	($6,286)
FY91	$33,084	$1,717	5.47%	$26,774	40	$1,693	6.75%	80.93%	($6,310)
FY92	$34,063	$979	2.96%	$27,590	39	$816	3.05%	81.00%	($6,473)
FY93	$35,029	$966	2.84%	$27,617	41	$27	0.10%	78.84%	($7,412)
FY94	$35,737	$708	2.02%	$28,200	42	$583	2.11%	78.91%	($7,537)
FY95	$36,685	$948	2.65%	$28,785	45	$585	2.07%	78.47%	($7,900)
FY96	$37,649	$964	2.63%	$29,364	45	$579	2.01%	77.99%	($8,285)
FY97	$38,480	$831	2.21%	$29,958	47	$594	2.02%	77.85%	($8,522)
FY98	$39,383	$903	2.35%	$30,620	46	$662	2.21%	77.75%	($8,763)
FY99	$40,586	$1,203	3.05%	$31,354	47	$734	2.40%	77.25%	($9,232)
FY2000	$41,754	$1,168	2.88%	$32,121	47	$767	2.45%	76.93%	($9,633)
FY2001	$43,400	$1,646	3.94%	$33,249	48	$1,128	3.51%	76.61%	($10,151)
FY2002	$44,683	$1,283	2.96%	$34,379	48	$1,130	3.40%	76.94%	($10,304)
FY2003	$45,776	$1,093	2.45%	$35,754	47	$1,375	4.00%	78.11%	($10,022)
FY2004	$46,704	$928	2.03%	$37,184	47	$1,430	4.00%	79.62%	($9,520)
FY2005	$47,659	$955	2.04%	$38,485	45	$1,301	3.50%	80.75%	($9,174)
FY2006	$49,026	$1,367	2.87%	$39,832	47	$1,347	3.50%	81.25%	($9,194)
FY2007	$50,816	$1,790	3.65%	$41,225	46	$1,393	3.50%	81.13%	($9,591)
FY2008	$52,308	$1,492	2.94%	$42,874	46	$1,649	4.00%	81.96%	($9,434)
FY2009*	$53,910	$1,602	3.06%	$44,426	46	$1,552	3.62%	82.41%	($9,484)
AVG ANNUAL CHANGE		$1,308	4.31%			$1,031	3.96%		
ALL CHANGE SINCE '80		$37,940	237.57%			$29,889	205.61%	-8.62%	($196,000)

** -- estimated for current and prior year for US salary data, and for MT salary and national CPI for current year.*

MEA-MFT

INFLATION ADJUSTED or "CONSTANT" $ AVERAGE SALARIES PAID TO US & MT TEACHERS

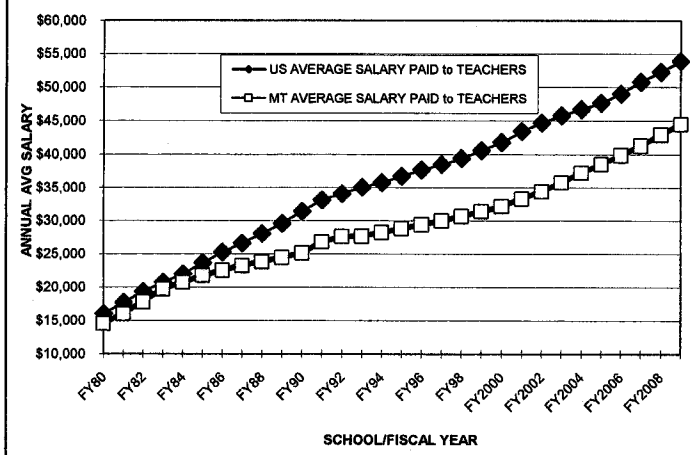
Dec.2008

Constant Inflation Adjusted (June 1980/CPI-U Base) U.S. & Montana Teacher Salaries

YEAR	ANNUAL CPI-U % June/June	US AVG $	- ANNUAL CHANGE US $	US %	MT AVG $	--- ANNUAL CHANGE & MT vs. US --- MT $ CHANGE	MT % CHANGE	RATIO MT/US	DOL DIF MT-US
FY80	BASE	$15,970	--- BASE ---		$14,537	--- BASE ---		91.03%	($1,433)
FY81	9.6%	$16,106	$136	0.85%	$14,575	$38	0.26%	90.50%	($1,531)
FY82	7.1%	$16,433	$327	2.03%	$15,150	$576	3.95%	92.20%	($1,282)
FY83	2.6%	$17,201	$768	4.67%	$16,375	$1,225	8.09%	95.20%	($825)
FY84	4.7%	$17,418	$218	1.27%	$16,430	$54	0.33%	94.32%	($989)
FY85	3.3%	$18,139	$720	4.14%	$16,682	$252	1.54%	91.97%	($1,456)
FY86	1.8%	$19,032	$893	4.92%	$16,980	$297	1.78%	89.22%	($2,052)
FY87	3.8%	$19,334	$303	1.59%	$16,887	($93)	-0.55%	87.34%	($2,447)
FY88	3.8%	$19,648	$313	1.62%	$16,679	($208)	-1.23%	84.89%	($2,969)
FY89	5.2%	$19,701	$54	0.27%	$16,274	($405)	-2.43%	82.60%	($3,427)
FY90	4.7%	$19,970	$268	1.36%	$15,968	($306)	-1.88%	79.96%	($4,002)
FY91	4.7%	$20,118	$148	0.74%	$16,281	$313	1.96%	80.93%	($3,837)
FY92	3.1%	$20,093	($25)	-0.13%	$16,275	($6)	-0.04%	81.00%	($3,818)
FY93	3.0%	$20,062	($31)	-0.16%	$15,817	($458)	-2.81%	78.84%	($4,245)
FY94	2.5%	$19,969	($92)	-0.46%	$15,758	($59)	-0.37%	78.91%	($4,212)
FY95	3.0%	$19,894	($75)	-0.38%	$15,610	($148)	-0.94%	78.47%	($4,284)
FY96	2.8%	$19,870	($24)	-0.12%	$15,497	($113)	-0.72%	77.99%	($4,372)
FY97	2.3%	$19,852	($18)	-0.09%	$15,456	($42)	-0.27%	77.85%	($4,397)
FY98	1.7%	$19,981	$129	0.65%	$15,535	$80	0.52%	77.75%	($4,446)
FY99	2.0%	$20,195	$214	1.07%	$15,602	$66	0.43%	77.25%	($4,594)
FY00	3.7%	$20,029	($166)	-0.82%	$15,408	($193)	-1.24%	76.93%	($4,621)
FY01	3.2%	$20,164	$135	0.67%	$15,448	$39	0.26%	76.61%	($4,716)
FY02	1.1%	$20,541	$377	1.87%	$15,804	$356	2.31%	76.94%	($4,737)
FY03	2.1%	$20,608	$67	0.33%	$16,096	$292	1.85%	78.11%	($4,512)
FY04	3.3%	$20,361	($247)	-1.20%	$16,210	$114	0.71%	79.62%	($4,150)
FY2005	2.5%	$20,264	($96)	-0.47%	$16,364	$153	0.94%	80.75%	($3,901)
FY2006	4.3%	$19,983	($282)	-1.39%	$16,235	($128)	-0.78%	81.25%	($3,747)
FY2007	2.7%	$20,170	$188	0.94%	$16,363	$128	0.79%	81.13%	($3,807)
FY2008	5.0%	$19,773	($397)	-1.97%	$16,207	($156)	-0.95%	81.96%	($3,566)
FY2009*	1.7%	$20,041	$268	1.35%	$16,515	$308	1.90%	82.41%	($3,526)
AVG ANNUAL CHANGE			$140	0.80%		$68	0.46%		
ALL CHANGE SINCE '80			4,071	25.49%		1,978	13.61%	-8.62%	($100,468)

** -- estimated for current and prior year for US salary data, and for MT salary and national CPI for current year.*

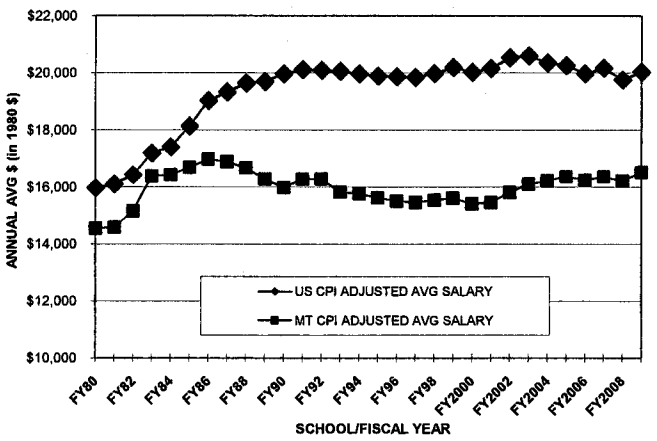
US & MONTANA AVERAGE SALARIES FOR TEACHERS SALARIES & MT's RANK AMONG STATES SINCE 1980



Average salaries paid to Montana teachers fell from 25th among states in 1984, to 48th in 2001, and today we are estimated at rank 46 in the nation. In 1984, the average salary paid to a teacher in MT trailed national average salary by less than $1,000 (-5%).

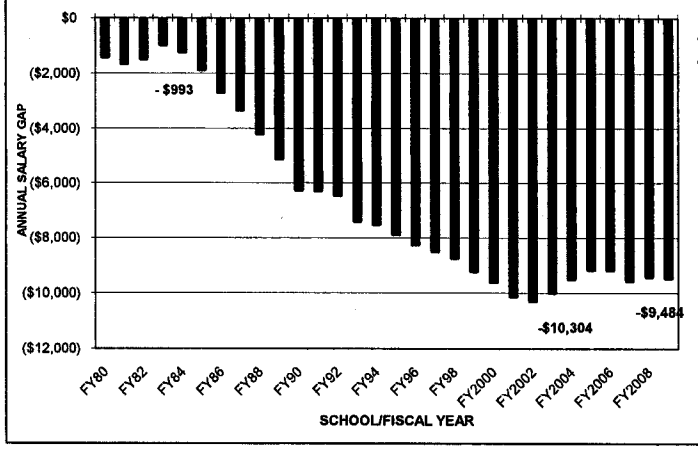
By 2001, the gap between average salaries paid to teachers in MT compared to the nation widened to more than $10,000 (-23%) annually! By FY09, the gap modestly closed to -$9,484 (-17.6%).

US & MT AVERAGE SALARIES FOR TEACHERS SINCE 1980 IN 1980 INFLATION ADJUSTED $



In inflation adjusted dollars, the "purchasing-power" of average salaries paid to Montana teachers generally declined during the later 1980s and during the middle and later 1990s. Marginal improvement has occurred since 2000 but purchasing-power is projected to remain lower in FY09 than in 1985. Montana's decline has occurred even as teacher experience and masters attainment have increased.

MONTANA'S GROWING TEACHER "SALARY GAP" MT-US AVERAGE ANNUAL SALARIES SINCE 1980



The annual shortfall in average salaries paid to MT teachers compared to teachers nationally, grew nearly 10 fold since 1983.

In 1983, Montana's "salary gap" was -$993 (or -5%). Since 1999 our annual "salary gap" has exceeded -$9,000 per year.

AVERAGE SALARY PAID TO MONTANA TEACHERS MT's RANK AMONG THE STATES SINCE 1980